

Fund managers: Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Simon Raubenheimer
Inception date: 1 October 1998
Class: A

Fund description

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: Domestic - Equity - General

Fund objective and benchmark

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund's benchmark is the FTSE/JSE All Share Index including income.

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to take on the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio

Minimum investment amounts

Minimum lump sum per investor account: R20 000
 Additional lump sum: R500
 Minimum debit order*: R500

*Only available to South African residents.

Annual management fee

The annual management fee rate is dependent on the return of the Fund relative to its benchmark, the FTSE/JSE All Share Index including income (adjusted for Fund expenses and cash flows), over a rolling two-year period. The fee hurdle (above which a fee greater than the minimum fee of 0% is charged) is performance equal to the benchmark minus 15%. For performance equal to the benchmark a fee of 1.5% (excl.VAT) per annum is payable. The manager's sharing rate is 10% of the out- and underperformance of the benchmark over a rolling two-year period and a maximum fee of 3% (excl.VAT) applies.

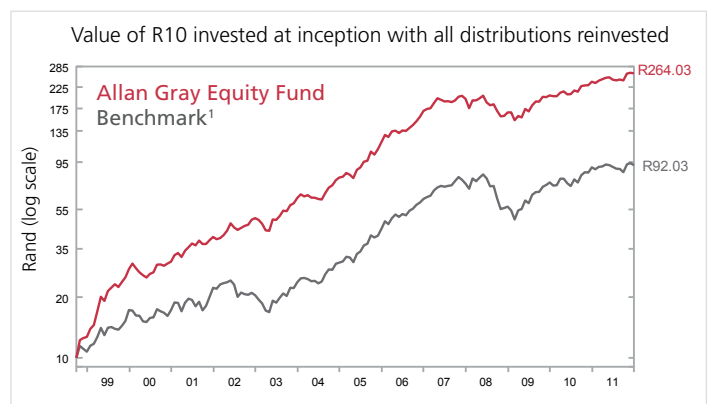
Fund information on 31 December 2011

Fund size: R27 728m
Fund price: R204.59
Number of share holdings: 90

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2011	31 Dec 2011
Cents per unit	179.2718	62.9228

Performance net of all fees and expenses



% Returns	Fund	Benchmark ¹	CPI inflation ²
<i>Unannualised:</i>			
Since inception	2540.3	820.3	104.3
<i>Annualised:</i>			
Since inception	28.0	18.2	5.6
Latest 10 years	20.7	15.2	6.0
Latest 5 years	9.0	8.1	6.9
Latest 3 years	16.2	17.3	5.2
Latest 2 years	13.5	10.5	4.8
Latest 1 year	10.1	2.6	6.1
Year-to-date (unannualised)	10.1	2.6	5.9
Risk measures (since inception)			
Maximum drawdown ³	-31.3	-45.4	n/a
Percentage positive months ⁴	66.0	58.5	n/a
Annualised monthly volatility ⁵	17.2	19.2	n/a

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 30 November 2011.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 May 2008 to 27 October 2008 and maximum benchmark drawdown occurred from 22 May 2008 to 20 November 2008. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.

Total expense ratio (TER)

The TER for the year ending 30 September 2011 is 1.56% and included in this is performance fee of -0.27% and trading costs of 0.11%. The annual management fee rate for the three months ending 31 December 2011 was 2.87% (annualised). These figures are inclusive of VAT, where applicable. Fund returns are quoted after deduction of costs incurred within the Fund so the TER should not be deducted from Fund returns (refer to page 2 for further information).

Fund manager quarterly commentary as at 31 December 2011

The benchmark FTSE/JSE All Share Index (ALSI) returned 2.6% for the 2011 calendar year. The ALSI closed the year a fraction below 32 000 points, which was slightly down on its January 2011 opening level of just above 32 000 points. The total return of the ALSI for the year was thus entirely derived from dividends. Overall South African stock market returns for 2011 were disappointing relative to those of domestic bonds (8.8% for the All Bond Index) and cash (5.7%), but especially disappointing relative to global equities (15.9% in rands for the MSCI World Index) and global bonds (29.6% in rands for the JP Morgan Global Bond Index). The lacklustre returns from the South African stock market are not surprising given the relatively full valuations on South African shares at the start of the year.

The Fund had a good year, outperforming the ALSI by 7.5 percentage points. Notable contributors to this outperformance were the Fund's substantial holdings in British American Tobacco, Sasol and SABMiller. The biggest detractor from the Fund's performance was Sappi.

We are mindful that this good year follows underperformance in 2009 and 2010. Investment managers can never afford to rest on their laurels, and we continue to work hard to identify the South African shares offering the best relative value for inclusion in the Fund. Our success in this task will determine the Fund's future long-term returns relative to its benchmark.

In our experience, our investment actions are often 'early', which means that shares can continue to fall after we have established a full position, or continue to rise after we have sold out. We accept this as an inevitable consequence of our investing style if it happens when the momentum of irrational markets drives share prices far past their intrinsic value. But it can also occur if we misestimate a company's intrinsic value. Obviously we strive to minimise such errors.

Less frequently, a share price can rise suddenly before we have established a full position. Old Mutual is a good example of this. By the end of 2011, 2% of the Fund was invested in Old Mutual. We had been accumulating shares in Old Mutual through the year. We were attracted by its substantial discount to embedded value, but more importantly by the resolve of the new management team to de-risk the business, allocate capital sensibly and unlock value for shareholders. Old Mutual traded in a range of R13 to R15 per share for most of the year, before rocketing to over R17 per share in December on the news that the company would be selling its Scandinavian business for a great price. Clearly the market was just as surprised by this announcement as we were.

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Disclaimer

The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The FTSE/JSE All Share Index is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. The FTSE/JSE Africa Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved. Allan Gray Unit Trust Management Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The Company has been approved by the Regulatory Authority of Botswana to market its unit trusts in Botswana, however it is not supervised or licensed in Botswana.

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio divided by the number of units in issue. Forward pricing is used and Fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the manager by 14:00 each business day to receive that day's price.

Fees

A schedule of fees, charges and maximum commissions is available on request from the manager. Commission and incentives may be paid and if so, would be included in the overall costs.

TER

*TERs are shown for class A units only

The Total Expense Ratio (TER) is the percentage of the fund's average assets under management that has been used to pay the fund's operating expenses over the past year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), trading costs (including brokerage, STT, STRATE and insider trading levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. All Allan Gray performance figures are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. TERs should then be used to evaluate whether the Fund performance offers value for money.

Performance

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Performance figures are from Allan Gray Proprietary Limited (GPS compliant) and are for lump sum investments with income distributions reinvested.

Top 10 share holdings on 31 December 2011 (updated quarterly)

Company	% of portfolio
British American Tobacco	11.4
Sasol	11.2
SABMiller	9.4
Remgro	7.1
Standard Bank	4.7
Sanlam	4.4
Anglogold Ashanti	4.3
Anglo American ⁶	3.8
Impala Platinum	3.3
Mondi	2.5
Total	62.1

6. Including Anglo American Stub Certificates.

Sector allocation on 31 December 2011 (updated quarterly)

Sector	% of portfolio	% of ALSI
Oil & gas	11.3	5.4
Basic materials	21.7	33.2
Industrials	11.2	5.8
Consumer goods	25.4	17.0
Health care	2.4	2.0
Consumer services	2.6	9.6
Telecommunications	2.6	7.2
Financials	17.4	19.6
Technology	1.2	0.3
Other	0.7	-
Money Market and Bank Deposits	3.6	-
Total	100.0	100.0

Inward listed shares: The portfolio holds JSE inward listed shares which no longer form part of an institutional investor's overall foreign allowance, in terms of Exchange Control Circular 22/2011 which classifies JSE inward listed shares as domestic, with effect from 7 December 2011.

Note: There may be slight discrepancies in the totals due to rounding.